

ESTIMATED IMPACT ON DIRECT SPENDING

The estimated impact of S. 2045 on direct spending is shown in Table 2. The budgetary effects of this legislation fall within budget functions 150 (international affairs), 250 (general science, space, and technology), 500 (education, employment, training, and social services), and 750 (administration of justice).

TABLE 2. ESTIMATED IMPACT OF S. 2045 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CHANGES IN DIRECT SPENDING										
Net Spending of Visa Fees Under Prior Law										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-9	72	36	9	0	0	0	0	0	0
Proposed Changes										
INS Administrative Fees										
Estimated Budget Authority	-16	-18	-21	-21	-21	-21	-20	-20	-20	-19
Estimated Outlays	-16	-18	-21	-21	-21	-21	-20	-20	-20	-19
H-1B Petitioner Fees										
Estimated Budget Authority	-133	-145	-174	0	0	0	0	0	0	0
Estimated Outlays	-133	-145	-174	0	0	0	0	0	0	0
Department of State Fees										
Estimated Budget Authority	-7	-7	-7	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	-7	-7	-7	-1	-1	-1	-1	-1	-1	-1
Total Change in Visa Fee Collections										
Estimated Budget Authority	-156	-170	-202	-22	-22	-22	-21	-21	-21	-20
Estimated Outlays	-156	-170	-202	-22	-22	-22	-21	-21	-21	-20
Additional Spending from Visa Fees										
Estimated Budget Authority	156	170	202	22	22	22	21	21	21	20
Estimated Outlays	30	93	145	167	100	52	21	21	21	20
Net Change in Direct Spending										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-126	-77	-57	145	78	30	0	0	0	0
Net Direct Spending Under S. 2045										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-135	-5	-21	154	78	30	0	0	0	0

BASIS OF ESTIMATE

CBO estimates that enacting S. 2045 will decrease direct spending for fiscal years 2001 through 2003 and increase spending for 2004 through 2006. Over the 2001-2010 period, CBO estimates that net direct spending will decrease by \$7 million.

CBO estimates that S. 2045 will increase the number of nonimmigrant visas available to certain skilled workers by 147,500 in fiscal year 2001, by 145,000 in each of fiscal years 2002 and 2003, and by about 15,000 in each fiscal year thereafter. Table 3 shows the number of visas authorized by prior law and the levels estimated for S. 2045. For 2001, the increase consists of a specified additional 87,500 visas plus an estimated additional 60,000 visas because sections 102 and 103 of the act will allow for certain exemptions from the cap on H-1B visas in that year. For 2002 and 2003, the increase consists of a specified additional 130,000 visas plus an estimated additional 15,000 visas due to the exemption in section 103. The same increase of 15,000 visas applies for 2004 and thereafter because of the exemption in section 103.

TABLE 3. NUMBER OF H-1B VISAS AUTHORIZED UNDER S. 2045

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
H-1B Visas Authorized Under Prior Law	107,500	65,000	65,000	65,000	65,000
Estimated Additional Visas Under S. 2045	<u>147,500</u>	<u>145,000</u>	<u>145,000</u>	<u>15,000</u>	<u>15,000</u>
Estimated Total H-1B Visas Under S. 2045	255,000	210,000	210,000	80,000	80,000

CBO estimates that S. 2045 will increase collections from H-1B petitioner fees by \$452 million over the 2001-2003 period. This estimate reflects the impact of Public Law 106-311 (H.R. 5362), which extended the H-1B petitioner fee through 2003 and raised it from \$500 to \$1,000 per worker. (A separate pay-as-you-go estimate for H.R. 5362 was also transmitted on October 25, 2000.)

INS Administrative Fees

The administrative fee for these visas is \$110 each, and CBO estimates that all of the additional authorized visas will be issued. This fee must be paid by H-1B applicants, by H-1B nonimmigrants who want to change employers, and by H-1B nonimmigrants who want to extend their stay beyond the initial period of authorization (usually three years). CBO

estimates that almost all of the additional persons receiving visas under the act will later change employers or extend their stay. Thus, enacting S. 2045 will increase fees collected by the INS by \$16 million in fiscal year 2001 and by \$197 million over the 2001-2010 period.

We expect that the INS will spend the fees (without appropriation action), mostly in the year in which they are collected. Thus, enacting this portion of S. 2045 will result in a small net budgetary impact in each year.

H-1B Petitioner Fees

In addition to the administrative fees collected under this act, most employers of the affected workers must pay a petitioner fee of \$1,000 per worker hired by October 1, 2003. (Public Law 106-311 doubled the fee from \$500.) Like the administrative fee, this fee must be paid for H-1B applicants, for H-1B nonimmigrants who want to change employers, and for H-1B nonimmigrants who want to extend their stay in the United States beyond the initial period of authorization. Consequently, CBO estimates that the INS will collect additional petitioner fees of \$133 million in 2001, \$145 million in 2002, and \$174 million 2003. These additional petitioner fees will be spent without further appropriation by the Department of Labor (DOL) to help train domestic workers for jobs in the technology sector, by the National Science Foundation (NSF) for certain scholarship and science education initiatives, and by DOL and INS for administrative expenses.

S. 2045 changes the formulas governing the allocation of petitioner fees among DOL, NSF, and INS. For this estimate, CBO assumes that the new formulas will take effect upon enactment, thereby changing the distribution of both the estimated \$452 million in new collections under the act and the \$589 million expected to be collected under prior law over the 2001-2003 period. The formulas in S. 2045 allocate 60 percent of the amounts collected to DOL for job training and administrative expenses, compared to the previous level of 62.3 percent. NSF will receive 38.5 percent of the fees for scholarships and other grants, versus 36.2 percent under prior law. Finally, 1.5 percent of the funds would go to INS to help offset administrative costs. CBO estimates that new spending from petitioner fees authorized under S. 2045 will equal the \$452 million collected.

Other Effects

S. 2045 also will increase collections by the State Department for H-1B visas; the fee for those visas was previously set at \$45 per person. CBO estimates that the department will collect and spend an additional \$28 million over the 2001-2010 period, and the net budgetary impact will be around \$1 million or less each year.

Individuals classified as nonimmigrants are ineligible for most federal public benefits, with a few exceptions that include emergency Medicaid services. Given that H-1B visa recipients are skilled workers admitted for employment, CBO expects that any increase in costs for these services will not be significant.

In addition to provisions concerning the H-1B nonimmigrant visas, S. 2045 also affects immigrant (permanent) visas. Sections 104 and 106 of the act may result in an increase in the number of employment-related visas granted, and thus may increase fees collected by the INS. However, we expect that additional fees will not exceed \$500,000 annually, most of which will be spent in the same year, resulting in a negligible net budgetary impact.

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